

# EXHIBIT A

City of Austin  
Homestead Preservation Reinvestment Zone No. 1

Preliminary Project Plan  
and  
Reinvestment Zone Financing Plan

October 2008

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## Executive Summary

Chapter 373A, Local Government Code was passed by the 79<sup>th</sup> Texas Legislature in 2005. The Chapter, titled “Homestead Preservation Districts and Reinvestment Zones”, provides tools for municipalities to create and preserve affordable housing within specific areas.

The stated purposes of Chapter 373A are: (1) promote the ability of municipalities to increase homeownership, provide affordable housing, and prevent the involuntary loss of homesteads by existing low-income and moderate-income homeowners living in disadvantaged neighborhoods; (2) protect a municipality’s interest in improving economic and social condition within disadvantaged communities by enhancing the viability of homeownership among low-income and moderate-income residents in areas experiencing economic pressures; and (3) provide municipalities with a means to expand and protect homestead interests of low-income and moderate income families.

The Homestead Preservation Reinvestment Zone must be located within the boundaries of the Homestead Preservation District. Areas eligible for designation as the District are described in Chapter 373A. On January 11, 2007, the City Council passed Ordinance 20070111-053, designating the District. The boundaries of the District are IH-35 on the west; Lady Bird Lake on the south; Springdale Road to Lyons Road to Webberville Road to Oak Springs Drive to Airport Boulevard on the east; and 38<sup>th</sup> ½ Street to Cherry wood Road to Manor Road on the north. The proposed TIF includes all of the Homestead Preservation District area, except for the areas in the Transit Oriented Districts (TOD) at Plaza Saltillo and East Martin Luther King. A small area immediately east of the MLK TOD is also excluded, as the TOD boundaries prevent it being contiguous to the Zone. Specific parcels to be excluded as part of the TOD’s are listed on Exhibit 1 to the Plan.

The Homestead Preservation District has experienced a great deal of redevelopment pressure, as buyers seek homes close to Downtown. Developers and speculators have moved to purchase properties in the District for development of new housing, leaving long-time residents increasingly unable to purchase and maintain homes in the neighborhoods they and their families have lived in for generations. While redevelopment activities have brought welcome additions to the range of services available for residents, efforts to maintain affordable housing have been hampered by rising real estate prices and limited funding.

Recent data indicates that 48% of households in the District earn less than \$25,000 annually, and a disproportionately large number of households are headed by single-parents, and/or lack a high school diploma. In contrast, a review of homes for sale listed on the Austin Board of Realtors Multiple Listing Service indicates that there are no inhabitable homes available for purchase in the area for a household earning twice as much.

Programs operated by the City of Austin and nonprofit Community Housing Development Organizations have sought to increase the availability of affordable housing in the District. Future production of affordable housing in the District is hampered by increasing real estate values and decreasing federal support for affordable housing programs. Vacant lots suitable for single-family development are priced between \$60,000 and \$250,000 in the District.

The purpose of the Homestead Preservation Reinvestment Zone, is to provide affordable housing opportunities within the Zone. Federal prohibition for projects exceeding the 221(d)3 project cost

limitation, or for projects exceeding the 203(b) value, frequently make the use of existing programs impossible in this rapidly gentrifying area. But for the funds to be generated by the HPRZ, continued development and preservation of affordable housing within the Zone would be severely limited.. This plan does not identify or propose any particular purchases of real estate, construction or rehabilitation projects. It is intended that projects will be designed, proposed, planned and developed over time, based on the amount of funds available in the increment fund as the TIF continues in operation. All projects will be subject to City of Austin public notice, procurement and purchasing requirements in effect at the time of proposal.

To finance the creation and preservation of affordable housing within the Homestead Preservation District, the City of Austin proposes the formation of a Homestead Preservation Finance Reinvestment Zone, in accordance with Chapter 373A of Local Government Code. In a TIF, the City and County contribute a portion of the property tax on the increase in value (tax increment) to TIF purposes. Under this proposal the City of Austin will contribute up to 100% of its tax increment and Travis County will annually contribute to the increment fund a percentage of its tax increment that would equal the dollar amount contributed by the City to the increment fund. The project will be funded with the increment collected by the TIF, as funds are received. No debt secured by a tax increment pledge or the full faith and credit of the City or the County will be issued to meet project costs, although layering of funding from other sources may be used to accomplish project goals. The TIF will expire no later than December 31, .

## **Project Plan**

This document is the Preliminary Project Plan for the Homestead Preservation Reinvestment Zone (HPRZ), City of Austin, Texas as required by Chapter 373A of the Local Government Code and Chapter 311 of the Texas Tax Code. The Zone is located in Central East Austin, entirely within the Homestead Preservation District. The purpose of the Zone is to finance the creation and preservation of affordable housing within the Zone.

The creation of the TIF will serve a public purpose through creation and preservation of affordable housing within the Zone, and will provide a continuing benefit to the community. This plan may be amended from time to time.

Expenditures for project and administrative costs will be funded by tax increment revenues derived from increases in property values within the Zone. Expenditures will be made in accordance with Chapter 373A, Local Government Code and Chapter 311, Tax Code. Chapter 373A provides that projects funded by the HPRZ benefit low and moderate income households at specific levels. The construction or rehabilitation of any improvements will comply with City planning, development and construction regulations. Project costs are as defined in Tax Code Section 311.002, and as further defined in Local Government Code Section 373A.157(e), and may include offsite improvements directly related to the construction or rehabilitation of affordable housing in the zone.

In accordance with the requirements of the HPRZ statute, funds will be expended as follows:

At least 25% of the revenue from the tax increment fund expended annually will be used to directly benefit households at or below 30% of the area Median Family Income. Funds will be used for direct project costs associated with the purchase of real property, rehabilitation, renovation or reconstruction of homestead properties owned by households at 30% MFI or below within the Zone. The public

benefit created through the preservation of affordable ownership housing will be secured with shared-equity liens, or within a land trust to meet the affordability period requirements in the statute.

At least 50% of the revenue from the tax increment fund expended annually will be used to directly benefit households at or below 50% of the area Median Family Income. Funds will be used for direct project costs associated with the purchase of real property, construction, rehabilitation, renovation or reconstruction of homestead and rental housing for households at or below 50% MFI within the Zone. The public benefit created through creation or preservation of affordable housing will be secured with shared-equity liens, or within a land trust to meet the affordability period requirements in the statute.

All of the revenue from the tax increment fund expended annually will be used to directly benefit households at or below 70% of the area Median Family Income. Funds will be used for direct project costs associated with the purchase of real property, construction or rehabilitation of affordable housing for households at or below 70% MFI within the District. Funds may be provided as a direct subsidy to eligible households. The public benefit created through the creation of affordable housing will be preserved through shared-equity liens or within a land trust to meet the affordability period requirements in the statute.

Not more than 10% of the revenue from the tax increment fund expended annually will be used for the administration by land banks and Community Housing Development Organizations of housing-related activities in the Zone. Funds will be made available on a competitive basis to CHDOs certified by the City of Austin that have developed or rehabbed at least three single-family homes or duplexes or one multifamily residential dwelling of four or more units in compliance with all applicable building code within the preceding 10-year period within the Zone.

Not more than 10% of the revenue expended annually from the tax increment fund for administration of the zone.

Funds returned to the HPRZ as loan repayment, recapture or program income will be invested in projects in the Zone. Funds received will be used to create and preserve affordable housing in accordance with the Project Plan.

Revenue from the HPRZ will be dedicated as provided in the project plan for use by a political subdivision, a Community Housing Development Organization certified by the City of Austin, or a Homestead Land Trust created or designated by the City of Austin. Funds may be made available on a competitive basis through a Request for Proposal process.

The area Median Family Income (MFI) level by household size will be the basis for home owner or tenant participation. The Median Family Income is published by the United States Department of Housing and Urban Development on an annual basis. Household eligibility will be determined according to 24 CFR Part 5, using the guidelines found in the *“Technical Guide for Determining Income and Allowances for the HOME Program”*, HUD Publication 1780-CPD.

**1. Maps showing existing uses and conditions of real property and proposed improvements and uses of that property within the Zone**

The Homestead Preservation District is impacted by seven separate Neighborhood Plans. The plans are the result of community efforts to articulate preferences for future land development. The plans all include a Future Land Use Map, which indicates preferred types of development and density for the Neighborhood. The Future Land Use Maps included as part of the project plan are for the following Neighborhoods:

- Central East Austin Neighborhood
- Chestnut Neighborhood
- East Cesar Chavez Neighborhood
- Govalle/Johnston Terrace Neighborhood
- Holly Neighborhood
- Rosewood Neighborhood
- Upper Boggy Creek Neighborhood

While some of the FLUM boundaries extend beyond the Homestead Preservation District, they provide a clear illustration of community preferences for future development, and are included here as Exhibit 2.

The Transit Oriented Districts (TOD) surrounding the Plaza Saltillo and East Martin Luther King rail stations are excluded from the TIF. The TOD areas are in shown on the attached map.

**2. Proposed Changes of Zoning Ordinances, the Master Plan of the Municipality, Building Codes, and Other Municipal Ordinances**

All project construction is anticipated to adhere to all City Code and other municipal requirements in effect at the time permits are issued. Currently, there are no proposed changes to City ordinances, master plans or building codes. Should changes to zoning ordinances be required to complete individual projects, all applicable processes will be followed.

**3. List of Estimated Non-project Costs**

Non-project costs are those development items that will be funded by others and are necessary for the implementation of the project. No tax increment reimbursement is provided for non-project costs. No non-project improvements or costs are proposed.

**4. Statement of Method of Relocating Persons to be Displaced as a Result of Implementing the Project**

When necessary and applicable under the Finance Plan and Project Plan for the Homestead Preservation Reinvestment Zone, recipients of financing will be directed to replace all occupied and vacant occupy-able affordable housing demolished or subject to conversion as the result of a project financed through or by the HPRZ.

Consistent with the purpose of the Homestead Preservation Districts and Reinvestment Zones statute, recipients, to the greatest extent feasible, will take steps to minimize the direct and indirect displacement of persons from their homes. These steps may include, but are not be limited to, the following:

1. Coordinate code enforcement with rehabilitation and housing assistance programs;

2. Stage rehabilitation of apartment units to allow tenants to remain in the building/complex during and after the rehabilitation, working with empty units first;
3. Arrange for facilities to house persons who must be relocated temporarily during rehabilitation;
4. Adopt policies which provide reasonable protections for tenants faced with conversion to a condominium or cooperative, as a result of a project assisted with HPRZ funds;
5. Provide counseling services to assist homeowners and tenants to access information on assistance available to help them remain in their neighborhood in the face of revitalization pressures.

All permanent replacement housing will be provided within three years after commencement of the demolition or conversion. Before entering into a contract committing the HPRZ to provide funds for a project that will directly result in demolition or conversion, the HPRZ will direct that Notice be made public by placing publication in a newspaper of general circulation, or post the information at the City of Austin's neighborhood centers, City Clerk's office, the City of Austin Neighborhood Housing and Community Development (NHCD) website, and other selected local public places in the area of the proposed project. Such Notice to include:

1. A description of the proposed assisted project;
2. The address, number of bedrooms, and location on a map of affordable housing that will be demolished or converted as a result of the assisted project;
3. A time schedule for the commencement and completion of the demolition or conversion;
4. To the extent known, the address, number of bedrooms and location on a map of the replacement housing that has been or will be provided;
5. The source of all funding and a time schedule for the provision of the replacement housing;
6. The basis for concluding that the replacement housing will remain affordable for the required period;
7. Information demonstrating that any proposed replacement of housing units with smaller dwelling units (e.g., a 2-bedroom unit with two one-bedroom units), or any proposed replacement of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the approved Project Plan for the HPRZ.

To the extent that the specific location of the replacement housing and other data in items 4 through 7 are not available at the time of the general submission, the recipient of HPRZ funds will identify the general location of such housing on a map and complete the disclosure and submission requirements as soon as the specific data are available.

The Board of the HPRZ or its designated agent is responsible for ensuring the tracking of replacement housing and ensuring that it is provided within the required period.

The recipient of HPRZ funds is responsible for the provision of relocation payments and other relocation assistance to any lower income household displaced by the demolition or conversion of any housing. The provision of relocation payment(s) and other relocation assistance will, at a minimum, meet all the requirements of the Uniform Relocation Assistance and Real Property Acquisition regulations found at 49 CFR Part 24, and the requirements of the Department of Housing and Urban Development Handbook 1378, Tenant Assistance and Real Property Acquisition, as amended, regardless of any other fund source(s) for the project.

# Reinvestment Zone Financing Plan

In the proposed TIF, if created, the City and County contribute equal amounts of the property tax on the increase in value of real property in the zone (tax increment) as generated. The plan proposes that the City of Austin will annually contribute up to 100% of the amount of property taxes levied by the City on the captured appraised value of real property taxable by the City and located in the Zone. Council may approve a plan that provides for a lower increment than 100% if agreed to by the City or the County during discussions after approval of this resolution, but prior to establishment of the TIF. In accordance with the statute, Travis County would contribute a dollar amount equal to the amount of the City's contribution each year during the life of the TIF. County approval of the creation, boundaries, duration, and amount of tax increment is necessary for the TIF to become effective, and therefore, after approval of this Council item, the City will consult with Travis County representatives to reach agreement on the amount of tax increment to be contributed by the City and County, as well as other terms. Tax increment revenues may be expended only for purposes described in the project and financing plans for the TIF. The project will be funded as the increment is collected, and no debt will be issued to finance the project. The proposed TIF would terminate after 10 years.

## **I. List of the Estimated Project Costs of the Zone, Including Administrative and Recurring Expenses**

The zone will not incur bond financing costs. All project costs associated with the project plan outlined above will be funded on a pay-as-you-go basis, using TIF revenue that has been collected and deposited into the Homestead Preservation TIF fund.

At least 25% of the revenue from the tax increment fund expended annually will be used to directly benefit households at or below 30% of the area Median Family Income. Funds will be used for direct project costs associated with the purchase of real property, rehabilitation, renovation or reconstruction of homestead properties owned by households at 30% MFI or below within the Zone. The public benefit created through the preservation of affordable ownership housing will be secured with shared-equity liens, or within a land trust to meet the affordability period requirements in the statute.

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Not more than 10% of the revenue from the tax increment fund expended annually will be used for the administration by land banks and Community Housing Development Organizations of housing-related activities in the Zone. Funds will be made available on a competitive basis to CHDOs certified by the City of Austin that have developed or rehabbed at least three single-family homes or duplexes or one multifamily residential dwelling of four or more units in compliance with all applicable building code within the preceding 10-year period within the Zone.

Not more than 10% of the revenue expended annually from the tax increment fund for administration of the zone.

**II. Statement Listing the Kind, Number and Location of All Proposed Public Works or Public Improvements in the Zone**

The proposed project includes the purchase of real property, rehabilitation, renovation or reconstruction of homestead properties owned by households as outlined in I above. The public benefit created through creation or preservation of affordable housing will be secured with shared-equity liens, or within a land trust to meet the affordability period requirements in the statute.

**III. Economic Feasibility Studies**

An economic feasibility study was completed by Capital Market Research. See Exhibit 3. Because the Homestead Preservation District is a large and diverse area, Capital Market Research applied a broad approach to the forecast of future real estate values, taking into account growth trends, as well as the status of current and planned development in the district. A block-by-block market analysis, which was completed for the Waller Creek tunnel project, is not a practical approach for the analysis of a Homestead Preservation TIF due to the size and diversity of the district. Three possible growth scenarios for the tax base in the Zone were developed, with the average growth scenario used to project future tax revenue. Staff has verified taxable values included in the report, working with the Travis County Appraisal District. A preliminary analysis of potential TIF revenue and the estimated impact on the City's General Fund will be completed by staff, and attached to the final plan.

**IV. The Estimated Amount of Bonded Indebtedness to be Incurred**

No bonded indebtedness will be incurred.

**V. The Time When Monetary Obligations are to be Incurred**

The Homestead Preservation TIF will not issue debt. Monetary obligations will be incurred for eligible projects as funds become available, starting in 2010.

**VI. Description of the Method of Financing All Estimated Project Costs and the Expected Sources of Revenue to Finance or Pay Project Costs Including the Percentage of Tax Increment to be Derived from the Property Taxes of Each Taxing Unit that Levies Taxes on Real Property in the Zone**

**Description of the Methods of Financing**

The zone will not incur bond financing costs. All project costs associated with the project plan outlined above will be funded on a pay-as-you-go basis, using TIF revenue that has been collected and deposited into the Homestead Preservation TIF fund.

### Sources of Tax Increment Revenue

The tax increment revenue necessary to pay the project costs is expected to come from increased property values in the zone due to growth in values and development that would normally occur over the course of time. Estimated tax base and tax revenues are shown in the table below.

### 10-Year Revenue Projections

<b>\$\$ in millions</b>	<b>Yr 1</b>	<b>Yr 5</b>	<b>Yr 10</b>	<b>Annual Average</b>	<b>10-Year Total</b>
<b>HP District, excluding TODs</b>					
Captured tax base	\$54.4M	\$302.7M	\$696.1M	\$822.6M	\$ 696.1M
TIF tax revenue	\$ 0.2M	\$ 1.1M	\$ 2.1M	\$ 1.2M	\$ 11.8M

The financing plan is based on the City of Austin contributing up to 100% of their collected incremental tax revenue to the zone and Travis County contributing a dollar amount equal to the amount of the City's contribution each year during the life of the TIF. Council may approve a plan that provides for a lower increment than 100% if agreed to by the City or the County during discussions after approval of this preliminary plan, but prior to establishment of the TIF. County approval of the creation, boundaries, duration, and amount of tax increment is necessary for the TIF to become effective, and therefore, after approval of this preliminary plan, the City will consult with Travis County representatives to reach agreement on the amount of tax increment to be contributed by the City and County, as well as other terms.

Tax rates that are currently in effect are shown below.

<b>Taxing Unit</b>	<b>Total Tax Rate</b>	<b>Tax Rate Dedicated</b>	<b>% Dedicated</b>
City of Austin	\$0.4034/\$100	\$0.4012/\$100	up to 100%
Travis County	\$0.4122/\$100	\$0.4122/\$100	up to 100%

### VII. The Current Total Appraised Value of Taxable Real Property in the Zone

The area includes 6,815 parcels and overlaps with two proposed Transit Oriented Development (TOD) Districts currently being considered by the City Council, Plaza Saltillo and Martin Luther King (MLK).

	<b>Number of Parcels</b>	<b>2008 Taxable Value – City</b>	<b>2008 Taxable Value – County</b>
Homestead Preservation District	6,815	\$1,124,971,617	\$1,024,133,255
Less: TOD districts in HPD	464	\$ 115,631,984	\$ 112,526,300
Proposed TIF Zone	6,351	\$1,009,339,633	\$ 911,606,955

## VIII. The Estimated Captured Value of the Zone During Each Year of its Existence

The preliminary revenue projections in the table in Section VII above assume that city-wide taxable values will grow, on the average, by 5.4% per year and that new construction will grow by 1.4%.

If the most recent 10-year trends were used to project growth in taxable values in the Homestead Preservation District, growth in overall assessed value might range from 4% to 12% annually, depending on the forecasting methodology. Growth in the District's tax base has averaged 12.9% annually over the last ten years, compared with 7.1% for the City overall. The revenue projections above were developed assuming that overall growth in the District would approximate overall City growth of 5.4% annually as a conservative approach since double-digit growth is not likely to consistently occur over a long-range forecast period.

Staff was able to obtain new construction data since 2005 for the District from the Travis Central Appraisal District. If these trends were used to project growth in new construction, projections might average as much as 10% annually, depending on the forecasting methodology. These more recent trends reflect the steep growth in development experienced in the last few years, and are likely not to be sustainable over a long-range forecast period. As a more conservative approach, the projections above reflect average annual growth in new construction of 2.5% consistent with the average annual compounded growth in new construction experienced across the city during the last ten years.

### Cumulative Captured Value in the Zone Dollars in millions

2009	\$ 54,354,558
2010	\$ 111,636,196
2011	\$ 172,002,542
2012	\$ 235,619,712
2013	\$ 302,662,769
2014	\$ 373,316,202
2015	\$ 447,774,436
2016	\$ 526,242,365
2017	\$ 608,935,918
2018	\$ 696,082,652

## IX. Duration of the Zone

The duration of the Reinvestment Zone is 10 years. If established by the end of calendar year 2008, the first date for which the TIF captured appraised value will be recorded will be January 1, 2009. Fiscal year 2010 will be the first year in which both the City and Travis County pay their associated tax increment into the TIF fund that will be established pursuant to an agreement to be executed between the City and County. In the event that the local economy declines and General Fund property tax revenue is negatively affected or for other good reason, the parties may agree to terminate the TIF agreement prior to the termination date only by written agreement signed by both parties, which agreement shall

include the actual termination date, and the disposition of funds that have not been disbursed.

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